TRENDS

Success of auto-focus 35mm units drives camera market

Like few other recently introduced products, low-priced, automatic 35mm cameras have captured the hearts and pocketbooks of U. S. consumers. In so doing, they have also elevated amateur photography to a more serious, quality-oriented level and sparked new life into the huge, $4.4 billion photoprocessing industry and the $2 billion film business.

"The growth is all in 35mm," noted one chain drug executive. "We're going to see bigger increases in photofinishing than originally projected over the next couple of years, and it's because of the new point-and-shoot 35s and a more serious amateur photographer."

Sales to dealers of auto-focus 35mm cameras were up substantially again last year to about 7 million units, compared with 5 million in 1986, according to the Photo Marketing Association. Part of that growth was incremental, but much of it came at the expense of the waning disc camera format, whose sales in 1987 dropped to about 1.8 million units from 3 million the previous year.

In late January, Eastman Kodak responded to the continuing decline in disc camera popularity by indefinitely suspending production of the disc and introducing two new 35mm models of its own.

"Demand for the disc has fallen off due to the increasing popularity of 35s," Kodak spokesman Ted Peterson admitted. "We had excess capacity and inventories, so we suspended disc manufacturing operations to balance operations."

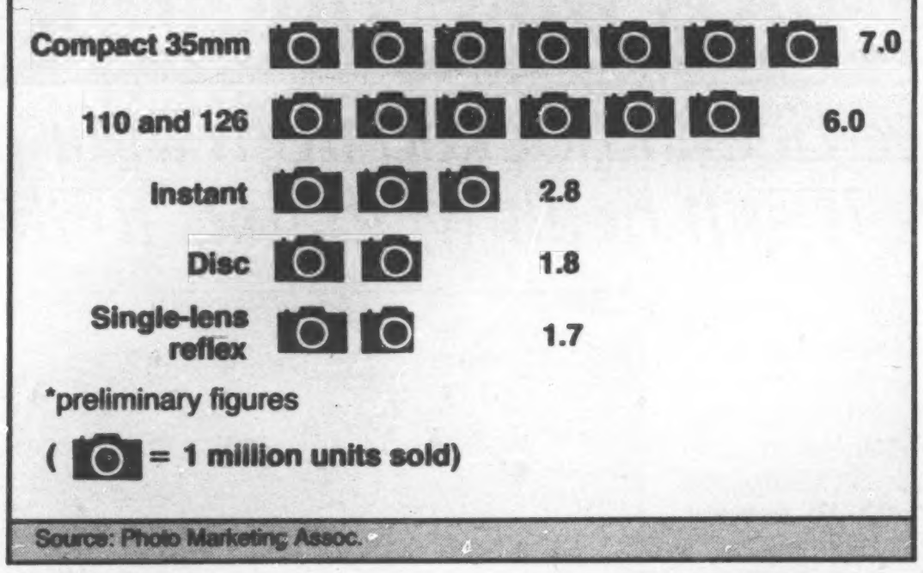
Peterson said Kodak would resume manufacturing the disc "if necessary" once the inventory backlog had cleared, and added the company would continue to produce and market disc film for the 25 million Kodak disc users who purchased the camera since its much-heralded debut in 1982. "We have a lot of satisfied disc users, and to let them down is not in the best interests of anyone," he said.

Some market analysts predict Kodak's decision to suspend production could doom the disc format, but none called the disc a failure. "Any product that can generate sales of 25 million units is a success in some measure," observed Michael Ellmann, an analyst with Wertheim & Co.

Indeed, Kodak stands to benefit enormously from the success of auto-focus 35mm, both through film sales and through its own reentry into the market for 35mm cameras last year through its five-model K line. The company last month unveiled two new 35mm auto-focus models, and officials indicated that more would follow through aggressive research and development programs.

1987* camera sales

(In millions of units sold)



*preliminary figures

(= 1 million units sold)

Source: Photo Marketing Assoc.

The photo department at SupeRx, Nashville, Tenn.

Kodak's newest models are the S100EF, a manual camera with build-in flash, fixed focus and a low SRP of $59.95, and the S900, with automatic focus, flash override, dual wide-angle and telephoto lenses, and an SRP of $229.95.

"A lot of people were asking for the dual lens feature, and this is our answer to that," said Peterson.

Indeed, the demand for more lens options on the point-and-shoot 35s is leading to a surge of new model introductions from many manufacturers. Dual-focus cameras pioneered by Fuji and other manufacturers are gaining an increasing share of the automatic 35mm market, and several manufacturers, including Chinon, Olympus, Pentax, Panasonic, and Vivitar, are bringing newly developed zoom-lens auto-focus models to the United States.

"There will be almost 20 dual- or zoom-lens cameras on the market before the end of this year," predicted one industry analyst.

Fuji, which introduced one of the first dual-lens cameras in the TW300, has added two new models which advance the concept. The DL-250 Tele and DL-400 Tele models feature motorized slide switching from wide-angle to telephoto, as well as drop-in loading, automatic film advance and other conveniences. The DL-400 model also offers an automatic macro focusing mode for close-up shots, an autofocus override system for landscape photography, and other features.

The DL-250 and DL-400 models have respective SRPs of $259.95 and $329.95.

In its lower-priced line of auto-focus 35mm cameras, Fuji has also added the DL-7, featuring easy controls and lightweight design, at a suggested retail price of $49.95.

Two segments of the amateur photo market have held up extremely well in the face of the 35mm revolution. One is the pocket 110 format camera, whose sales still number in the millions every year; the other is the instant photography market held by Polaroid.

Aided by the rollout of the Spectra camera system two years ago, Polaroid has maintained high consumer awareness in instant photography. This year, the company is going after the youth segment with the introduction of Cool Cam, an easy-to-use instant model featuring bold designer colors and color-coordinated camera shoulder bag and designer sunglasses.

At a suggested list of $40 to $45, Cool Cam comes with built-in auto flash, fixed focus and automatic exposure for light and dark conditions.

Polaroid is also rolling out a more advanced film for its 600-series instant cameras, called 600 Plus. The film incorporates the advanced chemistry of Spectra film technology for higher quality prints, according to spokesman Greg Venne.

Also under development by Polaroid [with other manufacturers simultaneously developing similar technologies] is an electronic imaging system for use in still cameras. The system, which may be ready for market by the early 1990s, will feature electronic magnetic floppy discs for image storage rather than film.

"You'll be able to insert the disc into a monitor which reads the electronic data and displays it on a TV screen," Venne said. "You can then choose and print the shots yourself with an image printer."

One-hour labs lead market

Continued from page 9 Store News.

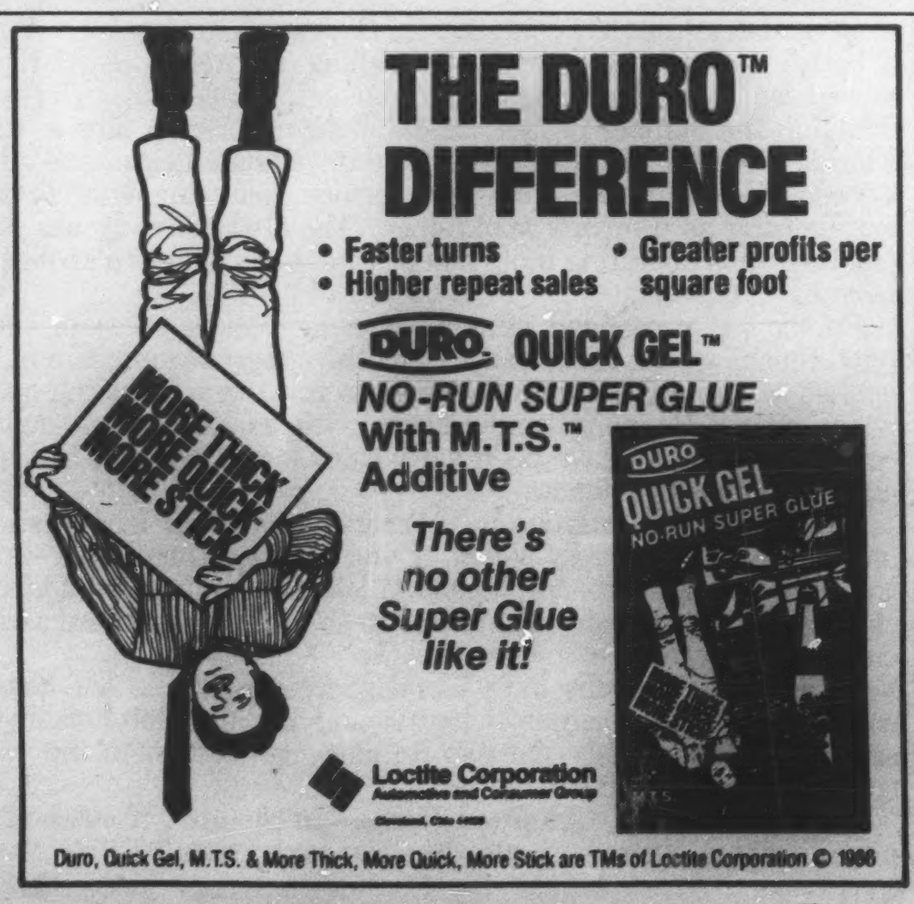
Many supermarket chains are also moving cautiously in the mini-lab arena. Kroger Co., for instance, is assessing results before getting further into the business. "We opened a one-hour lab in our Greenville Wellcome store, but we're not going to put them in new Wellcome stores," a spokesperson said.

Despite the progress made by the one-hour segment of the business, drug chains remain a potent force in photofinishing through aggressive marketing, a continuing move toward high-quality processing and faster-than-ever turnaround times. Walgreens, for instance, maintained a 20-percent sales increase in its photofinishing business last year, and Arbor, whose "Picture, Picture" marketing program has won a major share of the Michigan photo market, achieved a 25-percent increase in photofinishing and film sales last year. Arbor offers two prints for the price of one at all times, as well as guaranteed overnight delivery seven days a week.

Osco spokesman John Kromer, meanwhile, said he could not comment on the chain's future plans for in-store labs, but added that the chain's next-day Osco Photo Express service was benefitting from the growth in the photofinishing business. "It's more and more competitive, but it's a great thing what the manufacturers have done with 35mm photography," Kromer said. "They've gotten more and more away from pocket cameras and into higher-quality photography, and it's driven our processing business. We've marketed print quality from day one."

Osco's operation is vertically integrated, meaning the company relies on its own in-house developing lab, called Crest Photo, to achieve a one-day print processing turnaround chainwide.

According to the PMA's Fox, 35mm now accounts for almost two of every three exposures processed in the United States.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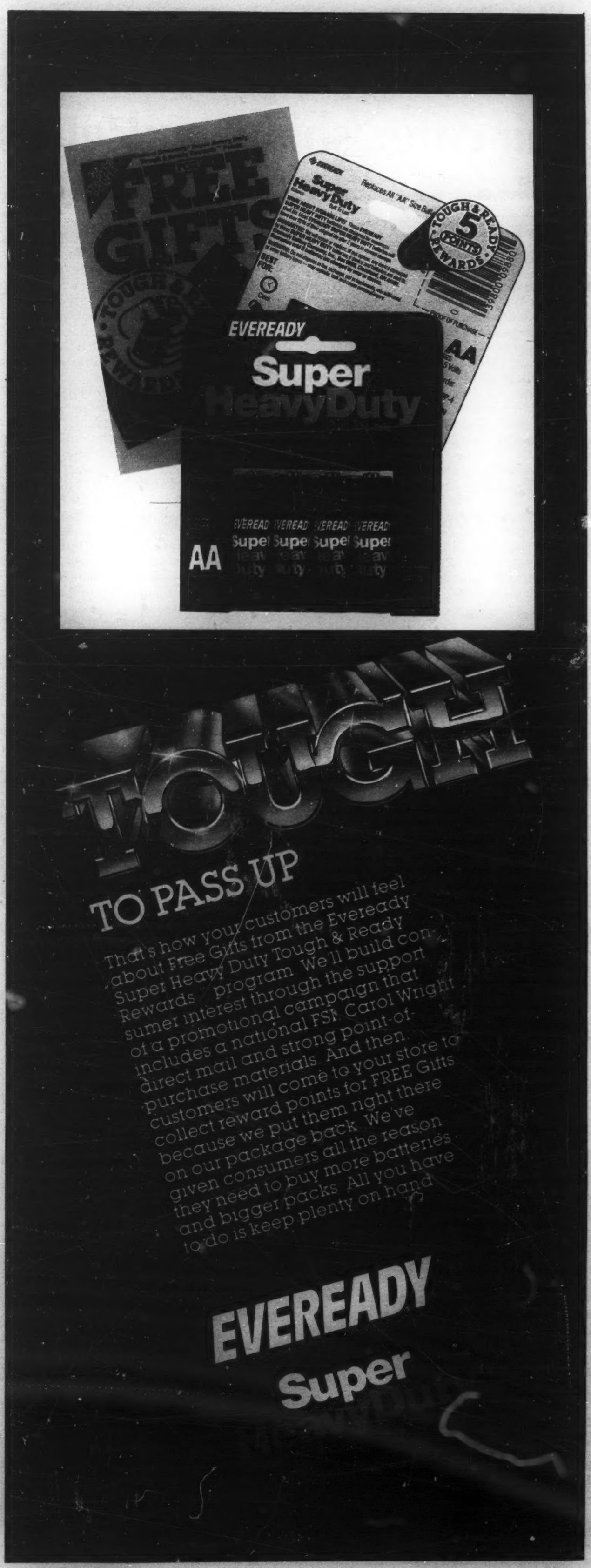
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Hair care

Mass-market hair care retail sales

Retail segment	Sales (in millions of $)	% change (8/87 vs 8/86)
Drug stores	$1,364.2	0.2%
Food stores	1,541.4	2.6
Mass merchandisers	838.8	5.4
Total	$3,744.4	2.3

Hair care: Market shares by retail segments

Retail segment	1987	1986
Drug stores	36.4%	37.2
Food stores	41.2	41.1
Mass merchandisers	22.4	21.7

Drug store hair care sales by segment

Segment	Sales (in millions of $)	% change (8/87 vs 8/86)
Hair fixatives (sprays)	$275.7	8.8%
Hair color	263.8	6.6
Shampoos	251.1	1.1
After-shampoo conditioners	246.0	(1.2)
Ethnic hair preps	154.1	(6.8)
Home waves	64.5	(7.8)
Mousse	58.1	(16.8)
Men's hair preps	50.8	(0.4)

Source: Nielsen Marketing Research

Nielsen data: Drug stores still losing hair care share

Hair care sales in drug stores on a year-to-year basis are still flat, A. C. Nielsen reports but mass merchandise stores are generating a 5 percent growth rate on the category, and food channel sales of hair care are up 2.6 percent.

That, of course, means that drug stores are still losing share on hair care items. According to Nielsen Marketing Research, drug stores had a 36.4 percent share of total mass market hair care sales in 1987, down from 37.2 percent for the same period last year.

Mass merchandise stores picked up most of the growth. Nielsen says their share went from 21.7 percent last year to 22.4 percent in 1987.

Nielsen says hair sprays, or what they call hair fixatives, is the fastest growing segment in mass-market hair care. Spray sales were up nearly 9 percent in 1987 versus 1986, Nielsen says, while hair color was the other strong growth segment, with a gain of 6.6 percent. Nielsen doesn't track gel and spritz sales seperately so they can't confirm the growth that retailers say they have been seeing in these segments.

Nielsen does track mousse, however, and that segment is down 16.9 percent. The drop in mousse sales is occurring because many consumers are switching to gels and spritzes, which provide a stronger hold for today's popular hair styles.

Pro products buoy hair care

Continued from page 53

fessional gel, is still very hot for us," says Monk, "but I'm getting good growth too from Dippity-Do, Studio Line, and Dep which is very good. Gillette also has a new Dippity-Do in a pump which I think will also be very good."

"In shampoos and conditioners, we do the best with the lower priced products," he says. "We promote White Rain for 99 cents two times a year, and when we do we may buy as much as 5,000 dozen cases for the promotion, and we do move most of it.

"But we also do well with some of the higher end brands, particularly Sassoon, and Pantene which do very well for us," says Monk. "Jhirmack is fair, and the Clairol shampoos and the sprays are all very strong for us."

Price competition hurts, according to Monk. "Wal-Mart has also been very price competitive on Ivory and that hasn't helped because I'm a much smaller chain and I can't meet their prices."

Monk says he has the same problem with Revlon's Flex. "It doesn't do very well for us because we have too much price competition from other chains."

Professional hair care

Monk allocates four feet to professional hair care products in most of his stores, and the rest of his smaller stores carry at least some professional hair care products. Monk says he will probably create a planogrammed section for the smaller stores later this year.

Because Monk considers professional hair care "a good growth area for us," he's also put some of the faster turning items like sprays and styling

Continued on next page

INSIDE PHARMACY

Pharmacy operations showed strength in '87

DrSN *survey notes gains in dollar volume, productivity*

NEW YORK — Last year was a time when many independent and chain pharmacists battled on issues that threatened their profession, such as physician dispensing, mail order pharmacy, and exclusive HMO contracts. Still, pharmacy departments managed to record strong gains in dollar volume, script count and pharmacist productivity.

Key indicators in *Drug Store News/Inside Pharmacy's* exclusive pharmacy operations study show that some of the strongest pharmacy performance gains were in the number of prescriptions filled daily per pharmacist, annual prescription sales, and average prescription department dollar transaction.

But an influx of third party programs prescriptions, with their emphasis on strong bottom line cost containment measures, precipitated a drop in prescription department dollar margins at chain stores. Independents posted a slight increase in prescription gross margins.

Rx dept. remains strong

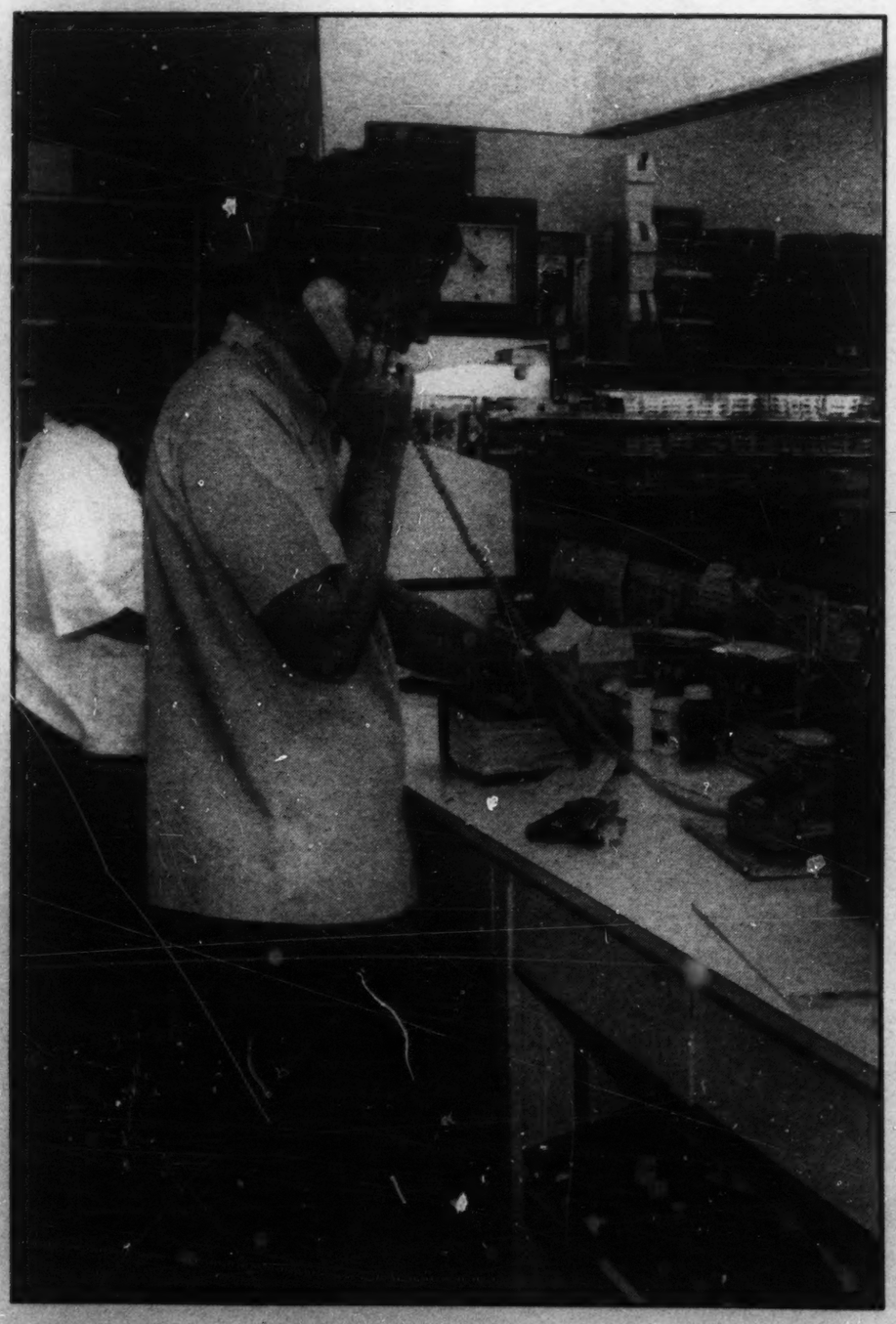
Prescription departments continued to drive a hefty portion of store sales in 1987, accounting for nearly one-third of chain drug store sales and 60 percent of independent drug store sales.

For many drug stores, 1987 was a year that placed a greater emphasis on the prescription department. Several independents and chains nationwide launched impressive advertising campaigns extolling the virtues of their pharmacists and the technology of their prescription departments. The results were clear, an almost $61,000 increase in prescription sales (and an 8 percent increase in the average dollar transaction at the prescription department cash register) for the chains and a nearly $54,000 gain for the independents (with almost a 9 percent increase in the average dollar transaction at their prescription cash registers).

While some of the increased prescription sales can be written off to inflationary dollars and a higher prescription price (an average of $15.40 for the chains and $14.50 for the independents), the study showed that, on average, a pharmacist in both a chain and independent drug store setting filled more prescriptions without adding pharmacists to staff. The number of scripts filled per day by a typical chain pharmacist averaged 106, up six prescriptions from the year before. The average number filled by an independent pharmacist was 90, up seven from 1986.

Although pharmacists were carrying a heavier load in

Continued on next page



Among the strongest gains noted in the survey was in the number of prescriptions pharmacists filled daily.

Third party prescription analysis

	1986		1987	
	Chain	Independents	Chain	Independents
Average number of third party plans accepted	17.7	10.6	20.0	12.2
Average percentage of Rx dept. sales accounted for by third party scripts	24.2%	33.9%	27.5%	37.9%
Percentage of third party scripts filled electronically	62.8	65.6	70.1	71.8
Percentage of pharmacies that do not fill any prescriptions electronically	18.0	27.0	16.0	20.0

Source: Lebhar-Friedman Research

Analysis of Prescription Inventory

	1986		1987	
	Chain	Independent	Chain	Independent
Dollar inventory at cost	$60,300	$57,100	$72,200	$60,000
Average annual Rx inventory turns	8.2	7.4	8.6	7.7
Percentage of drug inventory that is branded vs. generic				
Branded	82%	75%	78%	70%
Generic	18	25	22	30
Percentage of chain Rx product purchased at corporate vs. store level				
Corporate	18	—	19	—
Store Level	82	—	81	—
Method of distribution of chain Rx inventory:				
Delivered from manufacturer directly to store	14	—	12	—
Delivered from manufacturer to company warehouse	13	—	12	—
Delivered from wholesaler directly to store	66	—	69	—
Delivered from wholesaler to company warehouse	6	—	6	—

Source: Lebhar-Friedman Research

Analysis of Rx department personnel

	1986		1987	
	Chain	Independent	Chain	Independent
Number of pharmacists employed in average Rx dept.	2.2	2.1	2.2	2.2
Average number of hours a day worked by pharmacist	8.9	9.3	8.7	9.2
Average number of days per week worked by pharmacist	5.2	5.6	5.2	5.6
Average number of pharmacy techs employed in Rx dept.	1.7	1.8	1.7	1.8
Average number of pharmacy clerks employed in Rx dept.	1.6	1.8	1.7	1.9
Average percentage of pharmacies not employing techs in Rx dept.	10.0%	40.0%	6.0%	32.0%
Average percentage of store managers who are pharmacists	56.2	67.0	53.7	66.5
Average percentage of pharmacists who are also store managers	37.5	58.5	35.4	57.6

Source: Lebhar-Friedman Research

INSIDE PHARMACY

Rx depts. show strength

Continued from page IP10

1987, it was eased somewhat by a substantial increase in the number of pharmacy computer systems and more pharmacy technicians at chains and independents.

While the controversy among pharmacists on whether to recognize and certify pharmacy technicians rages on *(see story page IP12)*, the study revealed that they were certainly a boon to the productivity of the typical prescription department in 1987.

The study revealed that pharmacy technicians were a boon to productivity of the typical Rx department.

The survey showed that the average number of pharmacy technicians remained the same in both chain and independent drug stores, but uncovered a 4 percent drop in the number of chain pharmacies *not* employing technicians.

The independent sector reported an overall increase in hiring pharmacy technicians.

But probably most significant boost to the pharmacists' productivity in 1987 was the installation of pharmacy computer systems. According to the study, only 16 percent of chain pharmacies surveyed said they do not fill any prescriptions electronically, while 20 percent of the independents said they are currently not using computers to aid them in filling prescriptions.

Even the use of personal computers in drug stores has made strong inroads as prices on these computers began to drop dramatically. Managers have embraced personal computers to do payroll, inventory control, pricing and employee scheduling. The chains reported a 7 percent increase in the use of personal computers; independents reported an increase of 4 percent in their stores.

The increase in third-party programs offering a prescription drug benefit package has propelled computer installations in pharmacies.

According to the study, both chain and independent drug stores reported an addition of nearly three third-party programs to their already crowded third-party prescription log. On average, the chains reported catering to 20 third-party programs while independents said they fill prescriptions from approximately 12. Because of the billing requirements from most third-party prescription programs, it was no surprise to discover that 70 percent of all third-party prescriptions filled by chain pharmacists and 72 percent of those prescriptions filled by independents are done on a computer.

3rd-party 'scripts take toll

But while third-party prescription may be welcomed by some, especially the generic industry, it has taken its toll on others. Branded pharmaceutical companies continue to wage a war against generics since most of the third-party programs require substitution of branded drugs with generics. Carrying more generics caused an increase in prescription inventories, which was reflected in the study.

The average chain drug store reported an increase of approximately $12,000 in prescription inventories (at cost) while independents, who fill less prescriptions overall, reported an increase of nearly $3,000 to their inventories.

But as one looks at the big picture in prescriptions inventories, branded pharmaceuticals still make up the lion's share of prescription department products by nearly a three to one ratio of branded to generic products.

Probably the most significant boost to pharmacists' productivity in 1987 came with the installation of computer systems.

Average annual salary profiles

	1986		1987	
	Chain	Independents	Chain	Independents
Staff pharmacists	$35,200	$29,200	$37,200	$30,500
Rx dept. managers	36,900	33,300	39,300	33,500
Pharmacists/store managers	41,000	36,900	43,400	38,700

Source: Lebhar-Friedman Research

Productivity of average Rx department

	1986		1987	
	Chain	Independent	Chain	Independent
Average number of scripts filled per day by pharmacist	100.7	83.3	105.6	89.8
Average percentage of scripts which are new vs. refills				
New	53.0%	51.4%	53.3%	51.6%
Refills	47.0	48.6	46.7	48.4

Source: Lebhar Friedman Research

Prescription department profile

	1986		1987	
	Chain	Independent	Chain	Independent
Average number of hours per day prescription dept. is open to public	12.5	10.9	12.4	10.8
Average number of days per week prescription dept. is open to public	6.8	6.5	6.8	6.5
Annual prescription sales of an average Rx dept.	$639,700	$495,900	$700,500	$549,700
Average percentage of store sales accounted for by Rx dept.	34.0%	58.5%	34.1%	59.5%
Percent margin in average Rx dept.	30.5%	32.1%	30.2%	32.2%
Average retail Rx price	$14.10	$13.70	$15.40	$14.50
Average dollar transaction at Rx dept. cash register	$17.10	$16.80	$18.50	$18.30
Average number of items purchased in typical Rx dept. transaction	3.5	3.0	3.7	3.1
Size of average Rx dept. (sq. ft.)	405	342	408	350
Average percentage of stores equipped with a pharmacy computer system	69.8%	72.7%	82.9%	79.8%
Average percentage of stores equipped with personal computers	29.7	41.8	36.7	45.9

Source: Lebhar-Friedman Research

New York pharmaceutical group launches 3rd-party plan survey

NEW YORK — The Empire State Pharmaceutical Society has launched a membership survey on the efficiency of third party plans. The Society plans to use the results to support lobbying efforts to regulate third party plans in New York State.

According to Jerome Sager, the society's executive director and counsel, the survey is being conducted to produce data supporting the organization's claim that difficulty in dealing with third party administrators is the biggest problem its constituency faces.

"Third party administrators unilaterally make changes on a daily basis that even pharmacists with computers can't keep up with," said Sager. "The administrators are running rampant, doing whatever they want. We intend to have our lobbyist present the results to the state legislature." Results of the survey, which Sager said had a 98 percent return, are expected in January.

Sager specifically faulted third party administrators for a reimbursement lag time he said often averages over 45 days, the inability of administrators to solve billing problems by telephone, an overabundance of key punch errors and "price changes which are terribly behind what they should be."

Court nixes pharmacist's video rentals

NEW YORK — Independent pharmacist Norman Pernick, cashing in on the recent trend of drug stores to rent videotapes, inadvertently found himself in New York State Supreme Court. Pernick was forced to discontinue his videotape rental out of his Birchwood Pharmacy in the Bayside section of Queens, N. Y.

When his landlord ordered him to terminate rentals of videotapes, Pernick thought he had recourse. Then his landlord took him to court.

Pernick, citing the rental of video tapes as an expanding part of pharmacy/drug store business throughout the country, held that videotape rental did not violate the restrictive use of the premises as a drug store.

While the court agreed that modern drug stores indeed sell a variety of convenience items found in other stores in addition to dispensing drugs and selling traditional health related items, it found that terms of a lease must be carried out to the parties' intent.

Items other than medicine can be sold on the stores' premises, the court said, as long as those items do not compose more than a minimal part of the retailers' business. The court found that Pernick's rental, repair and sale of video tapes and video equipment was more than incidental, therefore, it violated terms of the lease.

DrSN's Checkstand Merchandising Study — Trends, Page 15

A look at Peoples' 'Boss' prototype — Page

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DRUG STORE NEWS

Vol. 10/No. 6 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. March 14, 1988

Brooks' prototype bows

Bold colors and striking graphics characterize the exterior of Brooks' new 7,000-square-foot prototype which had its grand opening in Plainville, Mass., late last month. The store is a good example of the 180-degree turn Brooks has taken in the past year under new management. See *In the Market*, page 6.

SupeRx, Rite Aid battle for control of Begley Co.

Lawsuits fly; shareholders must decide

By Dave Vaczek

RICHMOND, Ky. — SupeRx Corp. raised its offer for the Begley Co. by $8 to $29 a share, after Rite Aid Corp. said it would pay $28 a share in a merger agreement it has made with the Kentucky chain's board.

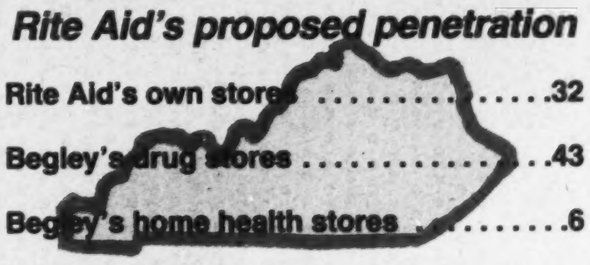
SupeRx said its offer—made by letter to the Begley board March 1—is contingent on Begley recinding the agreement with Rite Aid, which has offered to buy all Begley shares, and make the company a wholly-owned subsidiary.

A spokesman for Begley told Drug Store News at press time the company feels that SupeRx's offer "came in too late."

The sweetened bid by SupeRx came in a tumultuous week in which Rite Aid had first proposed to buy just Begley's drug store business, and Begley management said it would launch a $25-a-share tender offer for the remaining dry cleaning business and

See **Begley,** *page 71*

Rite Aid's proposed penetration



Rite Aid's own stores	32
Begley's drug stores	43
Begley's home health stores	6

Source: Company reports

Revco says some units must go

Chain eyes market positions that are 'not defensible'

By James Frederick

TWINSBURG, Ohio — Revco D. S. is planning to sell a number of stores where its market penetration or store performances are considered marginal, and is near a decision on which stores will be sold. The plan may call for the chain's withdrawal from some secondary markets, a spokesperson said.

"We will be divesting some stores, in specific markets that have not yet been identified," said Revco spokesperson Kathleen Obert. "The company is close to being able to identify those parts of the chain where we feel our market position is not defensible, often because we have too few stores in that market. The closings will not always be related to near-term store performance."

Obert emphasized that the plan will involve a relatively small number of the chain's total stores. "We're not talking about hundreds of stores, as some rumors have had it," she said. "In terms of our total, this will concern only a small percentage of our stores."

She also described as "totally false" rumors that the chain was considering the sale of its North and South Carolina stores. "That is one of our strongest areas, and we intend to stay there," she told *Drug Store News*. "At this time we don't foresee selling any stores there."

The store sales will probably occur over the next six months, she added.

In December, Revco completed the sale of 19 Texas stores to Panama City, Fla.-based City Drugs. The sale satisfies anti-trust provisions in Dallas/Fort Worth and other markets several years after Revco's purchase of the old Skillern's chain, and completes an agreement the chain reached at that time with the Federal Trade Commission.

Revco is also negotiating, with an unnamed firm, the sale of its Odd-Lot closeout merchandise division, Obert confirmed. Odd-Lot has experienced disappointing earnings since its purchase by Revco three years ago.

Segneri resurfaces as a regional veep

TWINSBURG, Ohio — Chain drug veteran Orlando Segneri has joined Revco D. S. as a regional vp in charge of the eastern region, where he will oversee all aspects of the operations of 430 stores in Ohio, West Virginia, Virginia, Pennsylvania, Maryland, Delaware and New York.

Segneri, a well-known industry

See **Segneri,** *page 71*

Dart Drug reduces loss

(First quarter ended Oct. 31, in thousands of $)

	1987	1986
Net sales	$55,996	$60,998
Net loss	(2,259)	(5,507)
Net loss per share	(.31)	(3.30)

Source: Company reports

Dart's $6M stock offering to build working capital

Chain to dump combo drug store-home centers

By Susan Ball

LANDOVER, Md. — Dart Drug Stores Inc. will offer 2.8 million shares of common stock and 2.1 million stock options to shareholders, to raise about $6 million to upgrade stores, buy inventory, and reduce accounts payable.

Dart also plans to sell off its 17 combination drug store/home center units, according to an S-1 form and amendment it filed with the Securities and Exchange Commission Feb. 11 and 19.

The offering will be to existing common and preferred shareholders on a pro rata basis.

The company also operates 61 drug stores and five Total Plus deep-discount H&BA stores, primarily located in the metropolitan Washington, D. C., area.

The offering will be to existing common and preferred shareholders on a *pro rata* basis. The shares will be sold in units, each consisting of 16 shares of common stock, at $34.44, and 12 "performance options" at 12 cents. The total price will be $34.56 per unit, or about $2.15 per share of common stock.

The performance options would allow holders to buy shares of common stock at $2 a share in four series, beginning on Oct. 31, 1988, and on consecutive anniversaries through October 1991. The right to exercise the options for the first series is conditional on Dart common stock trading at $4.75 for 30 consecutive days.

The minimum price would rise by 50 cents a share for

See **Dart,** *page 71*

LATE NEWS

- SAN DIEGO — Longs Drug Stores opened Longs Pharmacy, a 12,442-sq.-ft, downtown store, March 3—the first to use this name, and the first with a soda fountain since 1956.
- PHOENIX — SupeRx Corp., which is trying to buy the Begley Co., said it has bought six drug stores and two home health care stores from Defender Drug, and a drug store and two home health centers from United Discount Drugs.
- PAWTUCKET, R. I. — Shareholders of Brooks Drugs' owner Compact Video were expected to approve management's right to sell the drug chain in a meeting March 4. Hook-SupeRx Inc. is expected to be the buyer.
- LANDOVER, Md. — Dart has sold two drug-home centers in the D.C. area to F&M, the Michigan-based deep discounter, for $7 million and has agreed to sell one more.
- EUGENE, Ore. — Seven-store Tiffany Davis Drug Co., has been sold to Dale Engel, a former Osco Drug employee.

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NEWS IN BRIEF

Albertson's to purchase 8 Farmer Jacks

BOISE, Idaho — Albertson's said it is buying eight Farmer Jack supermarkets from the Detroit-based Borman's Inc. supermarket chain.

All of the purchased stores contain pharmacies, Dave Connolly, vp and treasurer of Albertson's, told *Drug Store News*.

Three stores are in Salt Lake City, with one each in Caldwell and Mountain Home, Idaho, Jackson, Wyo., and Tooele and Richfield, Utah.

All stores, but the one in Jackson, were to be transferred March 7, in a purchase that adds "several new towns" to Albertson's roster, and enhances presence in other markets.

Harco opens Ala. stores; count up to 75

NORTHPORT, Ala. — Harco Drug is moving ahead with store openings, with the latest two units, both formerly owned by Eckerd, being unveiled in Huntsville and Selma in February, bringing its store count to 75. A new store is set to open this month in Hueytown, and construction on a Harco in Auburn should be completed in April.

Harco also recently gave three executives vp titles: Jim Harrison III, who is assistant to the president; Frank Gable, director of sales; and David Fuhrman, in charge of diversified operations.

Medi-Save opens three new stores

BATON ROUGE, La. — Medi-Save Pharmacies Inc. has opened three of the 11 new stores it plans to open in 1988, according to executive vp Carl Napoli. Two leased units opened last month in Wal-Mart stores in Mt. Sterling and Morehead, Ky. A third opened last month in a Super 1 Foods store in Monroe, La.

The chain also opened its second freestanding Medi-Save Discount Optical outlet in February in Metairie, La.

Progar named a vp at Thrift Drugs

PITTSBURGH, Pa — Ralph Progar, Thrift Drugs' former manager of store coordination and productivity, has been named to the newly-created post of vp-stores administration, Thrift president Robert Hannan said.

Progar will take responsibility for developing and administering store programs, and will serve on Thrift's Management Council.

In addition, Progar has been elected chairman of the nine-member Pennsylvania State Board of Pharmacy. He will direct board activities in all areas relating to pharmacy practice.

He joined Thrift in 1968 as a student pharmacist.

Solomon joins La Salle 10 International

PARAMUS, N. J. — Jeannette Solomon, who recently retired from K&B Drugs where she was the cosmetics buyer for many years, has joined La Salle 10 International, the cosmetics and perfume vendor.

Solomon will be sales director for the Southeast and Southwest regions, as well as a consultant, said Terry Augenbraun, senior vp-marketing.

"She will be calling on many of the accounts that know her. She has a plenty of knowledge, and is welcome addition," said Augenbraun.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus an extra Annual Pharmacists Guide to Rx/OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.
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Vol. 10, No. 6 Mar. 14, 1988

Costco to install 7 Rx's; Price Club testing ground

LOS ANGELES — Costco membership warehouse club will install seven pharmacies a year, while warehouse club innovator Price Club is still testing its initial site.

Costco, the 43-warehouse chain based in Seattle, opened its first pharmacy in 1986, and opened 14 in quick succession during fiscal 1987. Currently, the company operates 16 pharmacies in its West Coast warehouses, Charles Burnett, vice president of pharmacy, told *Drug Store News*.

Burnett said the opening pace slowed down from last year, largely because the company is trying to keep a limit on its headquarters personnel. For this same reason, Burnett said the company is initially opening pharmacies close to home.

Costco membership warehouse club plans new emphasis on putting pharmacies in stores, such as this unit in City of Industry, Calif.

Optical centers still present

While continuing to roll out the pharmacies, Costco is currently operating two optical centers and leasing one. Burnett said the pharmacy and optical departments, are set side by side in the warehouses, take up about 2,000 square feet, and share the same service personnel.

Similarly, Price Club has continued to open optical departments, operating 11 currently, but the chain has yet to move beyond the initial pharmacy it opened last May at its original warehouse in San Diego. At the 37-warehouse club's annual shareholder meeting last month, president Robert Price said: "We have not made up our minds at all on whether we should pursue the pharmacy business."

Additionally, Chuck Augello, who was heading up the Price Club pharmacy, has left the company. According to a Price Club executive, this position has not been filled.

While Costco and Price Club both seek to extend their customer services, the companies have taken a different approach with their pharmacies.

At Price Club, the pharmacy is essentially a drop off and pick up window. Limited OTC products sold here are also behind the windows.

Costco, however, has sought to create a mini-apothecary. Members are free to shop the stock of OTCs and place pharmacy orders.

By setting off the pharmacy, Burnett said Costco produces more of a professional atmosphere. "We tried to give more of a complete service" than Price Club, while also trying to supply "most of the things people need in addition to the prescription."

Although Costco is drawing on a smaller population base than most drug stores, the "warehouses have a pretty high traffic count." So overall, Burnett said the pharmacies are "working out well for us."

Eckerd to close La. DC July 1

HAMMOND, La.— Eckerd will close its 228,000-square-foot distribution center here July 1 in a move it said will improve efficiency. The closing of the DC, which primarily serves Lousiana and Mississippi markets, will leave the company with six such centers. The 165 stores in those markets will be served by DCs in Atlanta, Houston and Dallas.

Larry Tucker, vp-district manager, voiced the hope that the early announcement "will enable us to find [our associates] appropriate positions elsewhere within our company, or allow them sufficient time to find other employment."

Tucker said the closing won't affect district remodeling plans. Forty units should be overhauled this year.

Sixty years of drug store retailing

The following items are taken verbatim from the pages of Chain Store Age Drug Edition, *which became* Drug Store News *in 1979.*

60 years ago

NEW YORK, 1928 — The Louis K. Liggett Co. has installed five automatic vending machines in its stores at 42nd Street and Madison Ave., New York. A two unit automatic change maker is also in operation. A talking machine attachment provides the customary "Thank You."

50 years ago

SHREVEPORT, La., 1938 — Surgical supplies were advertised by an inside—lighted action sign at Walgreen's, 600 Texas St., Shreveport, La. The box, about ten inches wide, six inches deep and six feet long, was painted blue. From it's face was cut out the words "We fit trusses."

40 years ago

WASHINGTON, 1948 — A straight 48 hour work week for all employees of Peoples Drug Stores, Washington, went into effect on January 1, according to John G. Bell, executive vice president of the company.

At the same time all full time employees became entitled to six holidays a year — New Year's Day, Decoration Day, July 4, Labor Day, Thanksgiving Day and Christmas Day.

30 years ago

SACRAMENTO, Calif., 1958 — An interesting gimmick to stimulate ad readership is being used by Payless Stores in Sacramento, California.

A 55-question crossword puzzle, with the bulk of the questions referring to advertised items, is included in the ad. Completed puzzles are brought or mailed to the store and dropped in a barrel. Five dollar merchandise certificates are given to the first 10 contestants whose correct puzzles are drawn from the barrel.

20 years ago

KINSTON, N.C., 1968 — A "drive-in" drug store operated by the four unit Standard Drug in Kinston, N.C., was partially damaged by fire last month and was forced to close. The loss from damaged and destroyed inventory reached $63,000.

The 4,800 sq. ft. unit, according to H.C. Suddreth, president, provided clerks that waited on cars in the parking lot. Customers could also shop on foot in the store.

10 years ago

TWINSBURG, Ohio, 1978 — Revco has just opened its 1,000th store—making it the first company in the chain drug industry to do so—and the event is an important milestone for the industry. The reason for this is that the emergence of a 1,000-store operation carries with it a number of implications about the capabilities of the chain drug industry.

TRENDS

The Third Annual *Drug Store News* Checkstand Merchandising Study

'I'm always looking for a candy or small item I can put out at a good multiple, but I look for quality, not garbage.'
—Ken Fossaceca
Medic Discount Drug

'The key to the whole thing is impulse. We're mostly split between candy, novelty toy items and other low-cost items that go for under a dollar.'
—Jerry Cardinale
Rite Aid

Bagging purchases at a Livermore, Calif., Longs.

'About the only thing we really insist the store managers carry at the checkstands is cigarette and magazine displays.'
—Jim Muir
Dunaway Drug Stores

'The decision process on suggested products is mostly based on experience and input from store managers.'
—Val Storrs
Bartell Drug Company

Retailers hone checkstand merchandising skills

To paraphrase a familiar maxim of the real estate trade: The three most important factors to be considered when creating a high-impulse, high-turn retail environment are location, location, and location.

Inside the store, that principle is embodied in the area around the checkout registers, where vendors compete for a sliver of prime real estate and retailers hone their merchandising skills with high-impact displays and a constantly shifting array of product.

For both retailers and manufacturers, the stakes in this exercise are high. The most recent *Drug Store News* Checkstand Merchandising Study, combined with numerous interviews with chain drug executives around the country, confirmed that retailers continue to rely heavily on the front end for high profits, fast turns, and extra sales. No space is more valuable, or more contested.

Their approaches to front-end merchandising, however, are as varied as the retailers themselves. Most merchandisers turn automatically to a few select categories—candy/gum, magazines, tobacco, film, batteries, and disposable lighters are among the favorites—to trigger impulse sales at the checkout registers year-round.

Beyond that, however, front-end strategies can differ radically. Even basic assumptions about the role and effectiveness of checkstand merchandising, including the types of product which belong there, are not universally accepted.

Arbor Drug, for instance, has successfully defied the common approach of loading up with impulse items at the front end, eschewing even candy and gum at the registers in favor of a clean, uncluttered appearance that ex-

Continued on page 16

This special section was compiled and written by James Frederick, with additional reporting help from Pamela Krein.

Highlights of the study:

- **Candy and gum remain the single most favored category for year-round impulse-oriented merchandising at the checkout registers, even on a season-by-season basis.**
- **Checkstand merchandising decisions are shared by a variety of headquarters and store-level personnel,** including presidents/owners, buyers, merchandise managers and store managers. Perceptions about who is most responsible for front-end merchandising tend to vary according to the position of the respondents, however.
- **Above all, front-end merchandise must generate high impulse sales and fast turns,** according to the survey. In order of importance, gross margin levels were also edged out by such considerations as high sales per square foot and broad consumer appeal.
- **Countertop displays are the favorite checkstand merchandising vehicle.** Use of freestanding floor displays and gravity-feed displays appears to be on the decline, but smaller impulse aids like clip strips are gaining ground at checkout registers.
- **Store managers retain the biggest share of responsibility** for endcap merchandising at most drug chains.
- Seasonal items, H&BA, sale merchandise and new items are the products featured most often on chain drug store endcaps.

Methodology of the study

The stories in this special section are based on the Third Annual *Drug Store News* Checkstand Merchandising Study, and additional interviews with retailers.

The study, conducted by Lebhar-Friedman Reseach in December 1987, is based on extensive interviews with 60 merchandising, operations and store-level executives from among the Top 100 drug chains. Respondents were split equally between headquarters and store levels for a balanced picture of checkstand merchandising activities.

Those interviewed are directly involved in checkstand merchandising decision-making.

Decision makers "very involved" in merchandising the main checkout area

	% of HQ respondents	% of store level respondents
Headquarters positions		
President/Owner	20%	7%
Buyer (gen. mdse., tobacco, sundries)	27	13
Merchandise manager (grocery/H&BA/sundries/seasonal)	37	7
V.P. merchandising	17	7
District/regional manager	3	13
Gen. mdse. mgr.	7	3
V.P. marketing	17	3
V.P. operations	37	—
Executive V.P./V.P.	7	7
V.P. purchasing	3	—
Other merchandiser	—	3
Other headquarters positions	7	13
Store-level positions		
Store manager	47	50
Asst. store manager	7	30
Head cashier/clerk	—	23
Dept. mgr./Front end mgr.	7	7
Other store-level positions	5	10

Source: *Drug Store News* survey

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TRENDS

Checkstand Merchandising Study

Drug store merchandisers make most of checkstand location

Candy/gum and tobacco products dominate front-end point-of-purchase displays at this Genovese in Albertson, N. Y.

Continued from page 15

tends throughout the store.

"Our general criteria is not to clutter the registers," said Arbor assistant treasurer Tom Ross. "We keep it clean, because we don't want our customers to feel bombarded with impulse items."

Instead, Ross continued, the Michigan-based chain concentrates its merchandising efforts on endcaps and in-line displays throughout the store. "We're experimenting with an auxiliary gum and mint stand adjoining the checkout counter, but we don't do much of it at the checkstands because we home candy very successfully in its own aisle."

Meanwhile, chains like Rite Aid, Bartell Drugs and Pay 'n Save successfully rotate a wide and constantly changing variety of product through their register areas. Rite Aid continues to move candy and low-end novelty toys through its checkout counters, and continues to reap high turns at the registers despite the introduction of point-of-sale scanners in more than 600 stores, according to assistant vp-merchandising Jerry Cardinale.

"The POS systems speed checkouts, but I don't think they've hurt our impulse sales," he said.

Like Rite Aid, Medic Discount Drug in Cleveland avoids higher-priced merchandise at the front end, and rotates its checkstand mix often. "It's not a home up there," said general merchandise buyer Ken Fossaceca. "Even if an item sells well, we rotate it just to provide variety for the customer."

Overall, said Fossaceca, Medic looks for high-impulse items with a 40 percent or more gross margin. "I'm always looking for a candy or small item I can put out at a good multiple, but I look for quality, not garbage," he added.

At Bartell, trial-sized items and magazines have become key sellers along with staples like candy and gum, disposable lighters, batteries, nail clippers and bonus-buy items, senior vp Val Storrs reports.

Front-end magazine sales at Bartell are often so strong that the stores have to replenish the checkstand racks from the regular magazine racks, Storrs told *Drug Store News*.

Film and batteries play a big role at Boston's Rix Dunnington. "We have a massive presentation behind the checkouts," said vp-merchandising Steven Sorkin. "We also go with disposables, some cigarettes on a wraparound plastic display unit that hugs the register, and occasionally windup toys, and we watch the register area very carefully for results. Our three biggest considerations are impulse, profit and turnover."

Pay 'n Save, which hired Jim Pappas last year as director of controlled checkouts, fields one of the industry's most aggressive and varied checkstand merchandising programs. Pappas planograms four complete register panels for checkout lines, and alternates them periodically. Seasonal merchandise and hard lines like hardware and housewares play a role as impulse items, along with the fast-turning basics like candy and magazines.

The Seattle-based chain's new checkstand program is getting results, Pappas reports, and he is now developing a "power panel" to boost impulse sales with endcap extenders throughout the store.

Checkstand configurations can have a big impact on front-end sales. Several chains have moved away from the single, wide checkout counters at the front of the store in favor of supermarket-style, pass-through registers or island registers, both of which can create new opportunities for impulse displays at the front end. One recent convert is Medicare-Glaser, which has opted for mid-aisle service counters in newer and remodeled stores. The chain now has about 15 in place, according to a spokesman.

"I wish we did have walk-

Continued on page 18

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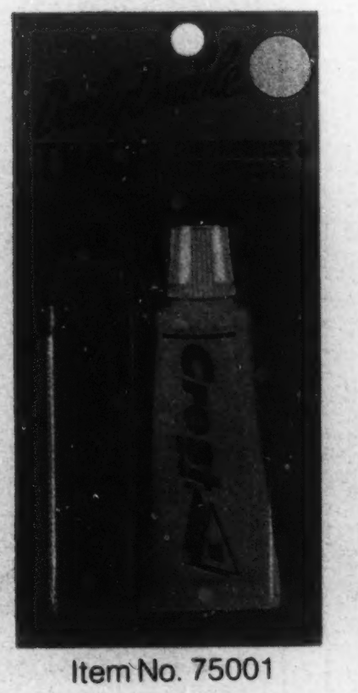
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